

BALLARD COUNTY BOARD OF EDUCATION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

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Independent Auditor's Report

Kentucky State Committee For School
District Audits
Members of the Board
Ballard County Board of Education
Barlow, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ballard County Board of Education as of and for the year ended June 30, 2005, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ballard County Board of Education as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, the Board has restated its beginning fund balance and beginning net assets to correct beginning short-term and long-term sick leave.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2005, on our consideration of Ballard County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 6 and 32 through 33 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ballard County Board of Education's basic financial statements. The additional information shown on pages 34 through 45, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 46 and 47 is presented for purposes of additional analysis as required to be presented by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Ballard County Board of Education. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams, William & Lenty, LLP

September 12, 2005

REQUIRED SUPPLEMENTARY INFORMATION

**BALLARD COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

As management of the Ballard County School District, we offer readers of the District's financial statements this narrative overview and analysis for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$3,790,321. This total incorporates all funds, including Governmental, Proprietary, and Fiduciary.
- The Board initiated a new major construction project and issued bonds in fiscal year 2004. The construction project is expected to be completed in FY 2008. Expenditures for construction in progress through June 30, 2005, were \$9,362,197.
- Earnings on investments on governmental funds totaled \$541,259 due mainly to the construction fund interest earned.
- The General Fund had \$7,220,231 in revenue, excluding on-behalf payments, primarily from the state program (SEEK), and taxes. Excluding interfund transfers and on-behalf payments, there was \$6,651,547 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt and interest decreased by \$1,895,705 during the current fiscal year.
- The state mandated a salary increase of 3% for certified and classified employees. The board voted to give certified employees a 4% increase and classified employees a 3% increase.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information.

Government-wide financial statements: The government-wide financial statements are intended to provide the reader with a broad overview of the District's finances. They are organized much like those of a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, the changes in net assets, both increases and decreases, may serve as an indicator of the District's financial position. Increases in net assets indicate an improving financial position and decreases indicate a deteriorating position. However, the reader must understand that the District's goal is to provide quality services to our students, not to generate profits as commercial entities strive to do. Many non-financial factors must be considered when looking at the position of the District, such as the property tax base, current property tax laws in Kentucky restricting revenue growth, required educational programs, and other factors.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. The District uses an accrual basis of accounting, commonly used by private-sector businesses. This accounting practice takes into account all of the current year's revenues and expenses, regardless of when cash is received and paid.

The government-wide financial statements outline functions of the District normally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund financial statements: A fund is a grouping of related accounts used to maintain control over resources set aside for specific activities or objectives. This is a state-mandated uniform system and establishes a chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to guarantee and exhibit compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental, proprietary funds, and fiduciary funds. Our only proprietary funds are food service operations and child care operations. Fiduciary funds are held as trust funds established by benefactors to aide in student education. All other activities and resources are included in the governmental funds.

The basic governmental fund financial statement can be found on pages 9 through 17 of this report.

Notes to the financial statements: The notes provide additional information and are useful in fully understanding the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 18 through 31 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by 8.0 million as of June 30, 2005.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; as a result, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The District's financial position is the result of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the Years Ended June 30

	<u>2005</u>	<u>2004</u>
Current assets	\$15,722,075	\$22,441,432
Noncurrent assets	<u>15,963,398</u>	<u>7,680,699</u>
TOTAL ASSETS	<u>\$31,685,473</u>	<u>\$30,122,131</u>
Current liabilities	\$ 2,780,988	\$ 2,091,696
Noncurrent liabilities	<u>20,917,529</u>	<u>21,869,502</u>
TOTAL LIABILITIES	<u>\$23,698,517</u>	<u>\$23,961,198</u>
Investment in capital assets (net of debt)	\$ 2,414,642	\$ 3,034,250
Restricted	11,719,596	244,315
Unrestricted	<u>(6,147,282)</u>	<u>2,882,368</u>
TOTAL NET ASSETS	<u>\$ 7,986,956</u>	<u>\$ 6,160,933</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets:

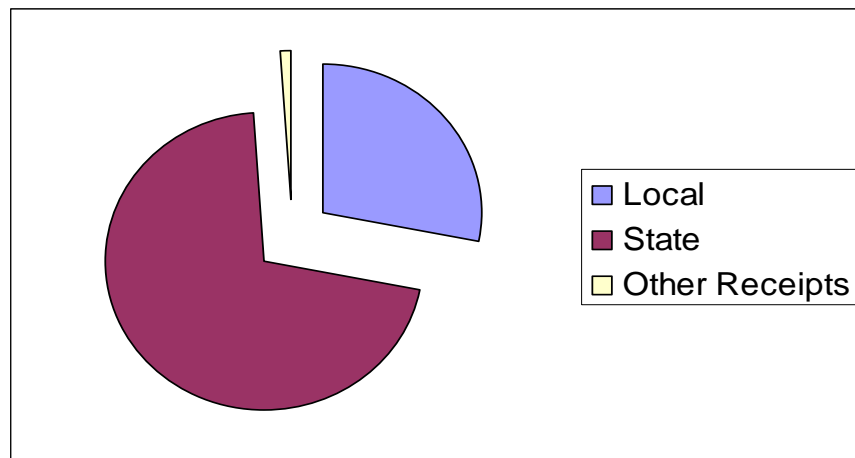
- A portion of the proceeds from the 2004 bond issue remains in cash and have not been spent as of June 30, 2005.
- Technology purchases continued by replacing outdated systems.

The following table presents a summary of revenue and expense for the fiscal year ended June 30:

Revenues:	2005	2004
Charges for services	\$ 331,584	\$ 326,979
Operating grants and contributions	2,606,570	2,388,439
Capital grants and contributions	1,473,796	500,517
Taxes	2,589,646	2,212,900
State aid	4,852,849	4,792,168
Investment earnings	543,959	63,515
On-behalf payments	1,432,168	1,247,186
Gain on sale of equipment	9,701	14,319
Loss compensation	-	1,877
Transfers	5,032	5,226
Other	<u>36,302</u>	<u>48,558</u>
Total revenues	<u>13,881,607</u>	<u>11,601,684</u>
Expenses:		
Instruction	6,728,714	6,285,094
Student support services	377,380	355,797
Instructional support	246,037	200,936
District administration	432,192	604,353
School administration	610,145	528,705
Business support	97,469	94,117
Plant operations	907,982	795,019
Student transportation	688,754	663,225
Central office support	130,930	184,492
Community support	113,462	205,303
Interest on long-term debt	942,086	257,550
Food service operations	690,489	602,594
Other	<u>89,944</u>	<u>60,729</u>
Total expenses	<u>12,055,584</u>	<u>10,837,914</u>
CHANGE IN NET ASSETS	<u>\$ 1,826,023</u>	<u>\$ 763,770</u>

OVERVIEW OF FUND ACTIVITIES AND BUDGET

General Fund Revenue Chart



The majority of revenue was derived from state funding at 72% and local funding at 27%. All other funding sources accounted for less than 1 percent of total General Fund revenue.

Comments on Budget Comparisons

- During the fiscal year ended June 30, 2005, the District amended its General Fund budget numerous times. Most amendments were due to changes in expenditure priorities.
- The District's total General Fund revenues for the fiscal year ended June 30, 2005, net of on-behalf payments, were \$7,220,231.
- General Fund budget, compared to actual revenue, excluding on-behalf payments, varied slightly from line item to line item; with the ending actual balance \$526,000 more than budget. This is due to increased tax and utility tax collections of \$360,000. Prior year adjustments made after the working budget was approved increased beginning fund balance by \$150,000.
- The total cost of all programs and services for the General Fund was \$6,651,547 million, net of interfund transfers and on-behalf payments.
- General Fund actual expenditures were \$2.9 million less than budgeted expenses; much of this is a result of budgeted contingency.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, the District had \$15,598,346 invested in land, buildings, and equipment. Of that amount, \$15,591,938 is in governmental activities.

There were significant increases in buildings due to school construction projects.

See footnote 6 for a breakdown of additions by class on page 26.

Debt Administration

The District had \$21,761,502 in bonds outstanding on June 30, 2005. A total of \$951,973 is due within one year.

See note 7 on pages 27 and 28 for a detailed listing.

BUDGETARY IMPLICATIONS

In Kentucky, the fiscal year for public schools runs from July 1 – June 30; other programs, e.g., federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget.

By law, the District must maintain a 2% contingency. The District ended the year with a 9% contingency. The District has developed a budget for the next fiscal year that contains an 12% contingency. Significant Board actions may impact this budget during the year. The Board has already approved a 3% pay increase for classified staff and a 4% increase for certified staff.

Questions regarding this report should be directed to the Superintendent, Mr. Edward Adami (270-665-8400), or Kim Bailey, Finance Officer (270-665-8400 Ext. 2007), or by mail to Ballard County Board of Education, 3465 Paducah Road, Barlow, KY 42024.

BASIC FINANCIAL STATEMENTS

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2005

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals (Memorandum Only)</u>
Cash and cash equivalents	\$14,965,250	\$ 123,577	\$15,088,827
Investments	259,296	-	259,296
Accounts receivable:			
Taxes	132,260	-	132,260
Delinquent taxes, net of allowance of \$142,000	55,123	-	55,123
Accounts	1,521	1,233	2,754
Interest	2,414	-	2,414
Intergovernmental - state	41,157	-	41,157
Intergovernmental - federal	111,146	-	111,146
Inventories	-	29,098	29,098
Deferred bond issuance cost and discounts	365,052	-	365,052
Nondepreciated capital assets:			
Land	253,552	-	253,552
Construction in progress	9,362,197	-	9,362,197
Depreciated capital assets:			
Land improvements	1,013,017	-	1,013,017
Buildings	8,697,671	-	8,697,671
Furniture and equipment	2,858,069	176,977	3,035,046
Less: accumulated depreciation	(6,592,568)	(170,569)	(6,763,137)
TOTAL ASSETS	<u><u>\$31,525,157</u></u>	<u><u>\$ 160,316</u></u>	<u><u>\$31,685,473</u></u>
 <u>LIABILITIES AND NET ASSETS</u>			
Liabilities:			
Accounts payable	\$ 929,442	\$ 2,574	\$ 932,016
Deferred revenues	116,856	-	116,856
Long-term obligations:			
Due within one year:			
Construction retainage	599,519	-	599,519
Bond and lease obligations	951,973	-	951,973
Interest payable	155,624	-	155,624
Accrued sick leave payable	25,000	-	25,000
Due beyond one year:			
Bond and lease obligations	20,809,529	-	20,809,529
Accrued sick leave payable	108,000	-	108,000
Total liabilities	<u>23,695,943</u>	<u>2,574</u>	<u>23,698,517</u>
Net Assets:			
Invested in capital assets, net of related debt	2,408,234	6,408	2,414,642
Restricted for:			
Capital projects	11,643,792	-	11,643,792
SBDM	32,541	-	32,541
Accrued sick leave	43,000	-	43,000
Debt service	263	-	263
Unrestricted	(6,298,616)	151,334	(6,147,282)
Total net assets	<u>7,829,214</u>	<u>157,742</u>	<u>7,986,956</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$31,525,157</u></u>	<u><u>\$ 160,316</u></u>	<u><u>\$31,685,473</u></u>

See notes to financial statements.

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction	\$ 6,728,714	\$ -	\$1,484,296	\$ -	\$(5,244,418)	\$ -	\$(5,244,418)
Support services:							
Student	377,380	-	88,443	-	(288,937)	-	(288,937)
Instructional staff	246,037	-	38,164	-	(207,873)	-	(207,873)
District administration	432,192	-	-	-	(432,192)	-	(432,192)
School administration	610,145	-	127,015	-	(483,130)	-	(483,130)
Business	97,469	-	-	-	(97,469)	-	(97,469)
Plant operations and maintenance	907,982	-	168,237	-	(739,745)	-	(739,745)
Student transportation	688,754	-	81,348	-	(607,406)	-	(607,406)
Central office	130,930	-	110,099	-	(20,831)	-	(20,831)
Community service	113,462	-	107,775	-	(5,687)	-	(5,687)
Facility acquisition and construction	13,775	-	-	301,483	287,708	-	287,708
Interest on long-term debt	942,086	-	-	1,172,313	230,227	-	230,227
Total governmental activities	11,288,926	-	2,205,377	1,473,796	(7,609,753)	-	(7,609,753)
Business-type Activities:							
Food services	690,489	256,035	401,193	-	-	(33,261)	(33,261)
Day care	76,169	75,549	-	-	-	(620)	(620)
Total business-type activities	766,658	331,584	401,193	-	-	(33,881)	(33,881)
TOTAL SCHOOL DISTRICT	\$12,055,584	\$331,584	\$2,606,570	\$1,473,796	(7,609,753)	(33,881)	(7,643,634)
General revenue and receipts:							
Taxes:							
Property					1,685,824	-	1,685,824
Motor vehicle					216,380	-	216,380
Utility					668,728	-	668,728
In lieu					17,145	-	17,145
Other					1,569	-	1,569
State aid - formula grants					4,852,849	-	4,852,849
Investment earnings					541,259	2,700	543,959
On-behalf payments					1,395,005	37,163	1,432,168
Other					29,914	6,388	36,302
Special items:							
Gain on sale of equipment					9,701	-	9,701
Transfers					5,032	-	5,032
Total general revenue and special item:					9,423,406	46,251	9,469,657
Change in net assets					1,813,653	12,370	1,826,023
Net assets, July 1, 2004					6,015,561	145,372	6,160,933
NET ASSETS, JUNE 30, 2005					\$ 7,829,214	\$157,742	\$ 7,986,956

See notes to financial statements

BALLARD COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue (Grant) Funds</u>	<u>Construction Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$3,326,712	\$ (5,517)	\$11,416,985	\$227,070	\$14,965,250
Investments	259,296	-	-	-	259,296
Accounts receivable:					
Taxes	132,260	-	-	-	132,260
Accounts	1,521	-	-	-	1,521
Interest	2,414	-	-	-	2,414
Intergovernmental - state	-	41,157	-	-	41,157
Intergovernmental - federal	-	111,146	-	-	111,146
TOTAL ASSETS	<u>\$3,722,203</u>	<u>\$146,786</u>	<u>\$11,416,985</u>	<u>\$227,070</u>	<u>\$15,513,044</u>
 <u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 30,770	\$ 29,930	\$ 868,742	\$ -	\$ 929,442
Deferred revenues	-	116,856	-	-	116,856
Accrued sick leave payable	25,000	-	-	-	25,000
Total liabilities	<u>55,770</u>	<u>146,786</u>	<u>868,742</u>	<u>-</u>	<u>1,071,298</u>
Fund Balances:					
Reserved for SBDM	32,541	-	-	-	32,541
Reserved for encumbrances	(1,000)	-	-	-	(1,000)
Reserved for accrued sick leave	43,000	-	-	-	43,000
Reserved for capital projects	-	-	10,548,243	226,807	10,775,050
Reserved for debt service	-	-	-	263	263
Unreserved	3,591,892	-	-	-	3,591,892
Total fund balances	<u>3,666,433</u>	<u>-</u>	<u>10,548,243</u>	<u>227,070</u>	<u>14,441,746</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$3,722,203</u>	<u>\$146,786</u>	<u>\$11,416,985</u>	<u>\$227,070</u>	<u>\$15,513,044</u>

See notes to financial statements.

BALLARD COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances per fund financial statement	\$ 14,441,746
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost	\$22,184,506	
Accumulated depreciation	<u>(6,592,568)</u>	15,591,938

Certain long-term assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net assets.

Delinquent taxes	55,123
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Deferred charges including debt issuance costs are amortized in the governmental activities, but were recognized in full in the governmental funds.	365,052
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Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.

Interest payable	(155,624)	
Construction retainage	<u>(599,519)</u>	(755,143)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bond and lease obligations	(21,761,502)	
Accrued sick leave payable	<u>(108,000)</u>	<u>(21,869,502)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 7,829,214</u>
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Note: Nonmajor funds consist of the SEEK Capital Outlay Fund, FSPK Fund, and Debt Service Fund.

See notes to financial statements.

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Special Revenue (Grant) Funds	Construction Fund	Nonmajor Funds	Total Governmental Funds
Revenues:					
Taxes	\$2,204,825	\$ -	\$ -	\$ 391,722	\$ 2,596,547
Earnings on investments	117,909	776	421,688	886	541,259
Intergovernmental - state	6,224,786	1,147,408	-	1,473,796	8,845,990
Intergovernmental - federal	23,068	1,057,969	-	-	1,081,037
Other	34,947	-	-	-	34,947
Total revenues	<u>8,605,535</u>	<u>2,206,153</u>	<u>421,688</u>	<u>1,866,404</u>	<u>13,099,780</u>
Expenditures:					
Current:					
Instruction	5,007,431	1,502,514	-	-	6,509,945
Support services:					
Student	291,028	88,443	-	-	379,471
Instructional staff	202,749	38,164	-	-	240,913
District administration	426,987	-	-	-	426,987
School administration	500,008	127,015	-	-	627,023
Business	98,520	-	-	-	98,520
Plant operations and maintenance	761,206	168,237	-	-	929,443
Student transportation	513,019	81,348	-	-	594,367
Central office	130,111	110,099	-	-	240,210
Community service	5,417	107,775	-	-	113,192
Facility acquisition and construction	6,380	-	7,905,810	-	7,912,190
Debt service:					
Principal	86,891	-	-	963,000	1,049,891
Interest and other charges	16,805	-	-	894,578	911,383
Total expenditures	<u>8,046,552</u>	<u>2,223,595</u>	<u>7,905,810</u>	<u>1,857,578</u>	<u>20,033,535</u>
Excess (deficit) of revenues over expenditures	<u>558,983</u>	<u>(17,442)</u>	<u>(7,484,122)</u>	<u>8,826</u>	<u>(6,933,755)</u>
Other Financing Sources (Uses):					
Proceeds from sale of assets	9,701	-	-	-	9,701
Operating transfers in	-	17,442	195,349	619,029	831,820
Operating transfers out	(17,442)	-	-	(814,378)	(831,820)
Total other financing sources (uses)	<u>(7,741)</u>	<u>17,442</u>	<u>195,349</u>	<u>(195,349)</u>	<u>9,701</u>
Net change in fund balances	551,242	-	(7,288,773)	(186,523)	(6,924,054)
Fund balances, July 1, 2004	<u>3,115,191</u>	<u>-</u>	<u>17,837,016</u>	<u>413,593</u>	<u>21,365,800</u>
FUND BALANCES, JUNE 30, 2005	<u>\$3,666,433</u>	<u>\$ -</u>	<u>\$10,548,243</u>	<u>\$ 227,070</u>	<u>\$14,441,746</u>

See notes to financial statements.

BALLARD COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balance	\$ (6,924,054)
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Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense for the year.

Depreciation expense	\$ (434,403)	
Capital outlays	8,759,343	8,324,940

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal paid	1,049,891
----------------	-----------

Governmental funds report the effect of issuance costs and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of bond issuance costs and discounts	(34,708)
---	----------

Generally, revenue is recognized in this fund financial statement when it becomes both measurable and available to finance expenditures of the current period.

Delinquent taxes	(6,902)
------------------	---------

Construction retainage payable is not recognized on the fund statements since it does not require the use of current financial resources. The expense is recognized when incurred in the statement of activities.

Construction retainage	(599,519)
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Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resource, but expense is recognized in the statement of activities when they are incurred. These net differences are as follows:

Accrued interest expense	4,005
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 1,813,653
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See notes to financial statements.

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

<u>ASSETS</u>	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Food Services</u>	<u>Other Enterprise Funds</u>	
Current Assets:			
Cash and cash equivalents	\$ 98,375	\$25,202	\$123,577
Accounts receivable:			
Accounts	1,233	-	1,233
Inventories	29,098	-	29,098
Total current assets	128,706	25,202	153,908
Noncurrent Assets:			
Furniture and equipment	176,977	-	176,977
Less accumulated depreciation	(170,569)	-	(170,569)
Total noncurrent assets	6,408	-	6,408
TOTAL ASSETS	\$135,114	\$25,202	\$160,316
 <u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts payable	\$ 2,574	\$ -	\$ 2,574
Net Assets:			
Invested in capital assets	6,408	-	6,408
Unrestricted	126,132	25,202	151,334
Total net assets	132,540	25,202	157,742
TOTAL LIABILITIES AND NET ASSETS	\$135,114	\$25,202	\$160,316

See notes to financial statements.

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Enterprise Funds		
	Food	Other	
	Services	Enterprise	Totals
		Funds	
Operating Revenues:			
Lunchroom sales	\$256,035	\$ -	\$256,035
Other operating revenues	6,388	75,549	81,937
Total operating revenues	262,423	75,549	337,972
Operating Expenses:			
Salaries and wages	308,111	63,985	372,096
Materials and supplies	338,708	4,934	343,642
Depreciation expense	7,534	-	7,534
Other operating expenses	36,136	7,250	43,386
Total operating expenses	690,489	76,169	766,658
Operating loss	(428,066)	(620)	(428,686)
Non-Operating Revenues (Expenses):			
Federal grants	343,270	-	343,270
Federal grants - in-kind commodities	48,692	-	48,692
State grants	46,394	-	46,394
Interest income	2,700	-	2,700
Total non-operating revenues (expenses)	441,056	-	441,056
Net income (loss) and change in net assets	12,990	(620)	12,370
Net assets, July 1, 2004	119,550	25,822	145,372
NET ASSETS, JUNE 30, 2005	\$132,540	\$ 25,202	\$157,742

See notes to financial statements.

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Proprietary Fund Type Enterprise Fund</u>
Cash Flows from Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 255,153
Other activities	81,937
Cash paid to/for:	
Employees	(372,096)
Supplies	(308,168)
Other activities	(43,386)
	<u>(386,560)</u>
Net cash used by operating activities	<u>(386,560)</u>
Cash Flows from Non-Capital Financing Activities:	
Government grants	<u>389,664</u>
Cash Flows from Investing Activities:	
Receipt of interest income	<u>2,700</u>
Net increase in cash and cash equivalents	5,804
Cash and cash equivalents, July 1, 2004	<u>117,773</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2005	<u><u>\$ 123,577</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$(428,686)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	7,534
Commodities used	
Change in assets and liabilities:	48,692
Receivables	(883)
Inventory	(15,081)
Accounts payable	1,864
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$(386,560)</u></u>
Schedule of Non-Cash Transactions:	
Donated commodities received from federal government	<u><u>\$ 48,692</u></u>

See notes to financial statements.

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private- Purpose Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$252,980	\$137,885
Accounts receivable	566	1,650
	<hr/>	<hr/>
Total assets	253,546	139,535
	<hr/>	<hr/>
Liabilities:		
Accounts payable	4,475	1,162
Due to student groups	-	53,966
Due to students in general	-	81,705
Due to teachers	-	2,702
	<hr/>	<hr/>
Total liabilities	4,475	139,535
	<hr/>	<hr/>
NET ASSETS HELD IN TRUST FOR SCHOLARSHIPS	\$249,071	\$ -
	<hr/>	<hr/>

See notes to financial statements.

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private- Purpose Trust Funds
Additions:	
Net interest and investment gains (losses)	\$ 5,831
Other local revenue	<u>272</u>
Total additions	<u>6,103</u>
Deductions:	
Benefits paid	<u>5,600</u>
Change in net assets	503
Net assets, beginning of year	<u>248,568</u>
NET ASSETS, END OF YEAR	<u><u>\$249,071</u></u>

See notes to financial statements.

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 1 - Reporting Entity:

The Ballard County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Ballard County, Kentucky. The Board receives funding from local, state, and federal government sources and must comply with the commitment requirement of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Ballard County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. The Board is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organization.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements.

Ballard County School Board Finance Corporation - In 1991, the Ballard County, Kentucky Board of Education resolved to authorize the establishment of the Ballard County School Board Finance Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Ballard County Board of Education also comprise the Corporation's Board of Directors.

Note 2 - Summary of Significant Accounting Policies:

The Board's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the Board's accounting policies are described below.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Board as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 2 - Summary of Significant Accounting Policies:

Basis of Presentation

Government-Wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, includes a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Board and for each function or program of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements

The financial statements of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for government funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenue and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in total net assets. The statement of cash flows provides the information about how the Board finances and meets the cash flow needs of its proprietary activities.

The Fiduciary funds are reported using the economic resource measurement focus.

Fund Accounting

The Board has the following funds:

a. **Governmental Fund Types**

The General Fund is the primary operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the Board per GASB 34.

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 2 - Summary of Significant Accounting Policies:

Fund Accounting

a. Governmental Fund Types

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards. This is a major fund of the Board.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the Board's facility plan.
2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the Board's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the Board.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

b. Proprietary Funds (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$48,692 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The Child Care Centers Fund is used to account for after school programs for students. Revenues are generated by collection of fees from program participants. Expenditures are for operating activities of the programs.

c. Fiduciary Fund Types

The Non-expendable Trust Funds account for scholarship funds that provide for the college education of deserving senior students, chosen under procedures determined by the Board.

Agency funds account for assets held by the Board in a purely custodial capacity. Since Agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The Activity funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 2 - Summary of Significant Accounting Policies:

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Board, available means expected to be received within sixty days of the fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they are levied for government-wide financial statements.

The property tax rates assessed for the year ended June 30, 2005, to finance operations were \$.487 per \$100 valuation for real property, \$.487 per \$100 valuation for business personal property and \$.40 per \$100 valuation for motor vehicles.

The District also levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gases.

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 2 - Summary of Significant Accounting Policies:

Budgetary Process

Budgetary Basis of Accounting – The Board’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded with paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with a maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the Board consists of expendable supplies held for consumption and is accounted for in the proprietary fund. Inventory consists of purchased food held for consumption and is expensed when used. The purchased food is valued at cost.

Debt Costs

Debt issuance costs in the amount of \$126,699 and unamortized discounts of \$238,353 are included in the government-wide statements. Both debt issuance costs and discounts are amortized over the lives of the related debt issues using the effective interest rate.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of one thousand dollars with the exception of computers, printers and real property for which there is no threshold. The Board does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not.

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 2 - Summary of Significant Accounting Policies:

Capital Assets

All capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	10 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the Board has adopted a policy of providing at retirement a percentage of their accumulated unused sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Board's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 2 - Summary of Significant Accounting Policies:

Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance is available for appropriations and expenditures in future periods.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from exchange transactions or ancillary activities.

Use of Restricted Sources

When an expense is incurred for which there are both restricted and unrestricted net assets available, it is the Board's policy to use restricted resources first, then unrestricted resources, as they are needed.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser fund. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Note 3 - Restatement of Fund Balance and Net Assets:

At June 30, 2004, amounts were recorded as accrued short-term sick leave and long-term sick leave for the General Fund. These were subsequently determined to be overstated for fiscal year 2004.

The restatement for the correction is as follows:

General Fund balance, June 30, 2004	\$3,034,191
Correction of beginning accrued short-term sick leave	<u>81,000</u>
ADJUSTED GENERAL FUND BALANCE, JUNE 30, 2004	<u>\$3,115,191</u>

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 3 - Restatement of Fund Balance and Net Assets:

Governmental activities net assets, June 30, 2004	\$5,802,621
Correction of beginning accrued short-term sick leave	81,000
Correction of beginning long-term sick leave	<u>131,940</u>
 GOVERNMENTAL ACTIVITIES NET ASSETS, JUNE 30, 2004	 <u>\$6,015,561</u>

Note 4 - Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 5 - Cash and Cash Equivalents and Investments:

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the District to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency. The Board has no investment policy that would further limit its investment choices.

At year end, the carrying amount of the Board's cash and cash equivalents was \$15,479,692, and the carrying amount of investments was \$259,296. The bank balance for cash and cash equivalents and certificates of deposit (investments valued at cost and maturing on March 26, 2006) was \$16,336,148. Deposits were held in various financial institutions. Of the bank balance, \$347,906 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. This remaining balance of \$15,988,242 was uninsured and collateralized with securities held by the pledging bank's agent, not in the Board's name.

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 6 - Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance			Balance
Governmental Activities:	July 1, 2004	Additions	Deductions	June 30, 2005
Land	\$ 253,552	\$ -	\$ -	\$ 253,552
Land improvements	1,013,017	-	-	1,013,017
Buildings and improvements	8,697,671	-	-	8,697,671
Technology equipment	864,206	123,123	-	987,329
General equipment	308,127	15,500	-	323,627
Vehicles	1,514,604	122,786	90,277	1,547,113
Construction in progress	<u>864,263</u>	<u>8,497,934</u>	<u>-</u>	<u>9,362,197</u>
Totals at historical cost	<u>13,515,440</u>	<u>8,759,343</u>	<u>90,277</u>	<u>22,184,506</u>
Less accumulated depreciation:				
Land improvements	582,710	50,651	-	633,361
Buildings and improvements	3,703,424	170,491	-	3,873,915
Technology equipment	687,917	95,587	-	783,504
General equipment	229,165	14,174	-	243,339
Vehicles	<u>1,045,226</u>	<u>103,500</u>	<u>90,277</u>	<u>1,058,449</u>
Total accumulated depreciation	<u>6,248,442</u>	<u>434,403</u>	<u>90,277</u>	<u>6,592,568</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS – NET	<u>\$ 7,266,998</u>	<u>\$8,324,940</u>	<u>\$ -</u>	<u>\$15,591,938</u>
Business-type Activities:				
Food service equipment	\$ 169,888	\$ -	\$ -	\$ 169,888
Technology equipment	<u>7,089</u>	<u>-</u>	<u>-</u>	<u>7,089</u>
Totals at historical cost	<u>176,977</u>	<u>-</u>	<u>-</u>	<u>176,977</u>
Less accumulated depreciation:				
Food service equipment	156,570	7,392	-	163,962
Technology equipment	<u>6,466</u>	<u>141</u>	<u>-</u>	<u>6,607</u>
Total accumulated depreciation:	<u>163,036</u>	<u>7,533</u>	<u>-</u>	<u>170,569</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS – NET	<u>\$ 13,941</u>	<u>\$ (7,533)</u>	<u>\$ -</u>	<u>\$ 6,408</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$307,151
Support services:	
Student	210
Instructional staff	5,124
District administration	6,228
School administration	5,150
Business	525
Plant operations and maintenance	5,869
Student transportation	102,640
Central office support	1,236
Community service	<u>270</u>
TOTAL DEPRECIATION EXPENSE	<u>\$434,403</u>

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 7 - Bond and Lease Obligations:

The amount shown in the accompanying government-wide financial statements as lease obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Ballard County Fiscal Court and the Ballard County School Board Finance Corporation. These lease payments also relate to school bus acquisition bonds and project bonds issued by the Kentucky Interlocal School Transportation Association (KISTA*). These bond and lease obligations are not reflected on the fund financial statements.

The Board, through the General Fund, the SEEK Capital Outlay Fund, and the Facility Support Program Levy Fund, is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the Ballard County School Board Finance Corporation to construct school facilities. The Board has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payment, the leased premises should become property of the Board. The Board is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security on the holders of the bonds.

The KISTA school bus acquisition bonds provide for the title of the equipment (buses) to vest in the Board subject to a first lien and if nonrenewal or default occurs, the title will revert to KISTA. The Board leases and rents the equipment from KISTA on an annual basis and has an exclusive option to renew this lease from year to year for the period of time of the pooled bond issue (approximately 10 years). The semi-annual bond interest and principal payments constitute the lease payments. The Board is also obligated to keep the equipment in good repair and provide insurance coverage.

The KISTA project bonds provided funds for construction projects of the Board. The Board leases and rents the projects from KISTA on an annual basis. The semi-annual bond interest and principal payments constitute the lease payments. The Board is also obligated to maintain the projects in good repair over the life of the lease terms.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
December 1, 1995*	\$ 52,260	4.25%-5.10%
March 1, 1997*	54,932	4.10%-5.20%
December 1, 1997*	110,134	4.00%-4.60%
February 1, 1998*	177,000	4.50%-4.90%
November 1, 1998	3,865,000	3.25%-4.00%
December 1, 1998*	109,076	3.50%-4.20%
June 1, 1999*	253,000	3.80%-5.00%
January 1, 2000*	116,218	4.30%-5.30%
February 1, 2002	660,000	4.45%
October 1, 2002	475,000	1.75%-3.80%
April 1, 2003*	115,272	2.00%-3.90%
June 1, 2004	18,490,000	2.00%-5.00%

In 1998, 2002, and 2004, the Board entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The table below sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bond issues. The liability for the total bond amounts remains with the Board and, as such, the total principal outstanding has been recorded in the financial statements.

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 7 - Bond and Lease Obligations:

All bonds may be called prior to maturity at dates and redemption premiums specified in each bond issue. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the Board including amounts to be paid by the Commission, at June 30, 2005, for debt service (principal and interest) are as follows:

<u>Fiscal Year</u>	<u>Ballard County Board of Education</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2005-2006	\$ 353,834	\$ 350,756	\$ 598,139	\$ 574,174	\$ 1,876,903
2006-2007	356,992	337,654	614,134	558,179	1,866,959
2007-2008	359,867	324,240	632,534	539,780	1,856,421
2008-2009	363,751	310,015	655,701	516,613	1,846,080
2009-2010	364,082	295,832	679,701	492,612	1,832,227
2010-2011	362,921	281,434	704,669	467,644	1,816,668
2011-2012	373,643	267,193	602,598	444,477	1,687,911
2012-2013	383,871	257,396	616,869	422,211	1,680,347
2013-2014	386,027	242,457	635,169	397,281	1,660,934
2014-2015	390,119	227,072	660,881	371,569	1,649,641
2015-2016	403,603	210,980	688,397	344,054	1,647,034
2016-2017	424,163	193,827	717,837	314,612	1,650,439
2017-2018	443,595	175,270	749,405	283,045	1,651,315
2018-2019	465,777	155,308	783,223	249,227	1,653,535
2019-2020	486,394	134,348	798,606	214,382	1,633,730
2020-2021	511,402	110,028	838,598	174,700	1,634,728
2021-2022	535,381	84,458	879,619	133,017	1,632,475
2022-2023	562,248	57,689	872,752	89,311	1,582,000
2023-2024	<u>591,531</u>	<u>29,577</u>	<u>913,469</u>	<u>45,673</u>	<u>1,580,250</u>
TOTALS	<u>\$8,119,201</u>	<u>\$4,045,534</u>	<u>\$13,642,301</u>	<u>\$6,632,561</u>	<u>\$32,439,597</u>

A summary of the lease principal balance activity was as follows:

<u>Bond Obligations:</u>	<u>Balance July 1, 2004</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2005</u>
Board	\$ 8,514,652	\$ -	\$ 395,451	\$ 8,119,201
Commission	<u>14,296,741</u>	<u>-</u>	<u>654,440</u>	<u>13,642,301</u>
TOTALS	<u>\$22,811,393</u>	<u>\$ -</u>	<u>\$1,049,891</u>	<u>\$21,761,502</u>

Note 8 - Lease of Facilities:

On August 1, 1993, the Board signed an agreement with the Murray Board of Education to lease physical facilities of the Board to conduct Head Start programs. This agreement is renewable for twenty-nine one-year periods.

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 9 - Commitments Under Non-Capitalized Leases:

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2005, as follows:

<u>Fiscal Year</u>	
2005-2006	\$18,936
2006-2007	18,936
2007-2008	<u>18,127</u>
 TOTAL	 <u>\$55,999</u>

Rent expense for the year ended June 30, 2005, was \$18,936.

Note 10 - Retirement Plans:

Plan Descriptions

The Ballard County Board of Education participates in the Kentucky Teachers' Retirement System (KTRS) and the County Employee's Retirement System (CERS), both cost-sharing multiple-employer defined benefit pension plans. Certified employees are covered under KTRS and substantially all other employees (classified employees) are covered under CERS. Both plans administer retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school system and other public educational agencies in Kentucky.

The Kentucky Revised Statutes provided for the establishment of both systems and benefit amendments are authorized by the State legislature. Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing or calling the plan.

Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, Kentucky 40601-3800
(502) 573-3266

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601-6124
(502) 564-4646

Funding Policies

Contribution rates are established by the Kentucky Revised Statutes. Plan members of KTRS are required to contribute 9.855% of their annual covered salary and the State provides a contribution of 13.105%, except for federal programs. The 13.105% matching contributions for covered salaries of federal programs are paid by that program. KTRS requires that members of KTRS occupy a position requiring either a four-year college degree or certification by Kentucky Department of Education. Plan members of CERS are required to contribute 5.000% of their annual covered salary and the Ballard County Board of Education provides a contribution of 8.48% of that salary. The Board's total payroll for the year was \$6,855,985. The payroll for employees covered under KTRS was \$5,199,322. For the year ended June 30, 2005, the Commonwealth contributed \$612,501 to KTRS for the benefit of participating employees. The Board's contribution to KTRS for the year ended June 30, 2005, was \$65,660 which represents those employees covered by federal programs. The contribution requirements and the amounts contributed to CERS were \$207,781, \$186,891, and \$163,401, respectively, for the years ended June 30, 2005, 2004, and 2003.

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 11 - Benefits Funded by Kentucky State Department of Education:

For the year ended June 30, 2005, the Kentucky State Department of Education contributed estimated payments benefiting the Board as follows:

Contributions to Kentucky Teachers' Retirement System	\$ 612,501
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>819,667</u>
TOTAL	<u>\$1,432,168</u>

These payments are recorded in the General and Food Service Funds as revenue and expenditures. The Board is not legally responsible for these contributions.

Note 12 - Contingencies:

The Board receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For governmental agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the Board for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Board's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

Note 13 - Insurance and Related Activities:

The Ballard County Board of Education is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The Board has purchased certain policies, which are retrospectively rated and include workers' compensation insurance.

Note 14 - Risk Management:

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the Board participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school boards and other tax supported educational agencies of Kentucky who are members of the Kentucky School Board Association. The Board pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and, for any reason, by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 14 - Risk Management:

The Board purchases unemployment insurance through the Kentucky School Board Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the Board continues to carry commercial insurance for all other risks of loss, including the coverages listed on pages 43 and 44 of the supplemental data. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 15 - COBRA:

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

Note 16 - Excess of Expenditures over Appropriations:

The Board has no funds with a deficit fund balance. Expenditures do not exceed appropriations for budgets presented. Due to problems with the software related to the budgetary process, budget amounts were not available for the Construction Fund.

Note 17 - Transfer of Funds:

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	Technology match	\$ 17,442
Operating	310	360	Construction	26,943
Operating	320	360	Construction	168,406
Operating	320	Debt Service	Debt Service	619,029

Note 18 - Commitments for School Construction:

The Board approved an agreement for the construction of a new high and middle school. The estimated cost of this project is \$18,595,209. As of the balance sheet date, \$9,362,197 of the projected cost has been completed and is recorded as construction in progress in the statement of net assets. Cost of construction has been funded by the 2004 bond issue and by funding from the Capital Project Funds.

REQUIRED SUPPLEMENTARY INFORMATION

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
Revenues:	Original	Final	Actual	
From local sources:				
Taxes	\$ 1,731,000	\$ 1,785,139	\$2,204,825	\$ 419,686
Other	87,500	85,000	147,824	62,824
Intergovernmental - state	4,854,923	4,808,120	6,224,786	1,416,666
Intergovernmental - federal	15,000	15,000	23,068	8,068
Other sources	-	-	14,733	14,733
Total revenues	6,688,423	6,693,259	8,615,236	1,921,977
Expenditures:				
Instruction	4,149,356	4,260,549	5,007,431	(746,882)
Support services:				
Student	260,085	262,585	291,028	(28,443)
Instructional staff	181,812	182,070	202,749	(20,679)
District administration	2,010,892	1,886,389	426,987	1,459,402
School administration	458,576	457,096	500,008	(42,912)
Business	87,097	87,097	98,520	(11,423)
Plant operations and maintenance	1,144,469	1,328,129	761,206	566,923
Student transportation	818,545	739,579	513,019	226,560
Central office	138,046	188,046	130,111	57,935
Community service activities	9,652	6,500	5,417	1,083
Facilities acquisition and construction	6,380	6,380	6,380	-
Other	62,499	163,696	121,138	42,558
Total expenditures	9,327,409	9,568,116	8,063,994	1,504,122
Excess (deficit) of revenues over expenditures and net change in fund balances	(2,638,986)	(2,874,857)	551,242	3,426,099
Fund balances, July 1, 2004	2,638,986	2,875,718	3,115,191	239,473
FUND BALANCES, JUNE 30, 2005	\$ -	\$ 861	\$3,666,433	\$3,665,572

Note 1 - Benefits Funded by Kentucky State Department of Education:

The budget presented for the General Fund does not include on-behalf payments provided by the Kentucky State Department of Education. Had on-behalf payments been included, budgetary revenues would total \$8,088,264 and budgetary expenditures would total \$10,963,121.

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
Revenues:	Original	Final	Actual	
From local sources	\$ 4,000	\$ 4,100	\$ 776	\$ (3,324)
Intergovernmental - state	1,008,660	1,901,672	1,147,408	(754,264)
Intergovernmental - federal	1,102,740	1,953,576	1,057,969	(895,607)
Other sources	50,000	68,760	17,442	(51,318)
Total revenues	2,165,400	3,928,108	2,223,595	(1,704,513)
Expenditures:				
Instruction	1,547,628	2,883,654	1,502,514	1,381,140
Support services:				
Student	86,909	129,879	88,443	41,436
Instructional staff	28,748	72,853	38,164	34,689
District administration	500	250	-	250
School administration	134,185	247,464	127,015	120,449
Plant operations and maintenance	102,691	193,765	168,237	25,528
Student transportation	79,582	153,765	81,348	72,417
Central office	78,000	115,620	110,099	5,521
Community service activities	107,157	153,500	107,775	45,725
Total expenditures	2,165,400	3,950,750	2,223,595	1,727,155
Excess (deficit) of revenues over expenditures and net change in fund balances	-	(22,642)	-	22,642
Fund balances, July 1, 2004	-	5,101	-	(5,101)
FUND BALANCES, JUNE 30, 2005	\$ -	\$ (17,541)	\$ -	\$ 17,541

OTHER SUPPLEMENTARY SCHEDULES AND SUPPORTING INFORMATION

BALLARD COUNTY BOARD OF EDUCATION
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

<u>ASSETS</u>	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and cash equivalents	\$ -	\$226,807	\$ 263	\$227,070
TOTAL ASSETS	\$ -	\$226,807	\$ 263	\$227,070
 <u>FUND BALANCES</u>				
Fund Balances:				
Unreserved:				
Undesignated, reported in:				
Capital project funds	\$ -	\$226,807	\$ -	\$226,807
Debt service	-	-	263	263
TOTAL FUND BALANCES	\$ -	\$226,807	\$ 263	\$227,070

See auditor's report on pages 1-2.

BALLARD COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
From local sources:				
Taxes	\$ 391,722	\$ -	\$ -	\$ 391,722
Earnings on investments	-	-	886	886
Intergovernmental - state	175,093	126,390	1,172,313	1,473,796
Total revenues	566,815	126,390	1,173,199	1,866,404
Expenditures:				
Debt service:				
Principal	-	-	963,000	963,000
Interest	-	-	894,578	894,578
Total expenditures	-	-	1,857,578	1,857,578
Excess (deficit) of revenues over expenditures	566,815	126,390	(684,379)	8,826
Other Financing Sources (Uses):				
Operating transfers in	-	-	619,029	619,029
Operating transfers out	(787,435)	(26,943)	-	(814,378)
Total other financing sources (uses)	(787,435)	(26,943)	619,029	(195,349)
Net change in fund balances	(220,620)	99,447	(65,350)	(186,523)
Fund balances, July 1, 2004	220,620	127,360	65,613	413,593
FUND BALANCES, JUNE 30, 2005	\$ -	\$226,807	\$ 263	\$ 227,070

See auditor's report on pages 1-2.

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
DUE TO STUDENT GROUPS AND OTHERS
AGENCY FUNDS
BALLARD MEMORIAL HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Due to Student Groups and Others July 1, 2004	Revenues Actual (1)	Expenditures Actual (1)	Due to Student Groups and Others June 30, 2005
Academic Team	\$ 557	\$ -	\$ 175	\$ 382
A-School	-	149	-	149
Advance Yeoman	-	103	-	103
All A Classic	1,909	24,465	22,953	3,421
AP Test Fund	-	3,602	3,520	82
Art Club Fund	324	1,638	1,341	621
Athletic Fund	(969)	47,408	47,447	(1,008)
Band Fund	38	2,773	2,420	391
Baseball Fund	-	500	-	500
Basketball - Anderson	-	1,000	442	558
Beta Fund	1,530	1,856	2,316	1,070
Boys' Basketball	2,977	500	1,666	1,811
Cheerleader Fund	2,622	8,249	10,584	287
Choir Fund	268	820	523	565
Class of 2005 Fund	436	1,680	2,116	-
Computer Program Fund	34	-	-	34
Dance Team Fund	869	6,522	6,561	830
English - Flint	-	27	27	-
FACS Fund	1,679	5,307	5,788	1,198
FCA Fund	259	-	-	259
FHA (FCCLA) Fund	-	6,585	5,674	911
Freshman Class Shirts	-	290	209	81
FTA Fund	44	30	50	24
General Fund	3,997	10,662	11,398	3,261
Girls' Athletic Fund	1,075	-	-	1,075
Girls' Basketball Fund	2,474	9,888	10,347	2,015
Golf	-	300	161	139
Instructional Material Fund	788	9,625	9,457	956
Junior Class Fund	2,510	4,195	4,970	1,735
Junior Class Shirts	-	480	319	161
Library Fund	125	195	305	15
Little League Football Fund	1,601	6,476	7,055	1,022
Pep Club Fund	145	-	145	-
Regional Track Fund	298	-	298	-
Rewards Banquet Fund	832	-	-	832
Scholarship Fund	500	-	-	500
Science Department	373	237	380	230
Science - Hobbs	-	98	63	35
Senior Class Shirts	-	290	290	-
Senior Picnic	218	-	218	-
Softball	-	9,500	9,500	-
Sophomore Class Shirts	-	300	223	77

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
DUE TO STUDENT GROUPS AND OTHERS
AGENCY FUNDS
BALLARD MEMORIAL HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Due to Student Groups and Others July 1, 2004	Revenues Actual (1)	Expenditures Actual (1)	Due to Student Groups and Others June 30, 2005
Spanish Club Fund	\$ 484	\$ 53	\$ 266	\$ 271
Student Council Fund	1,584	1,095	2,364	315
Student Fund	2,313	8,944	9,675	1,582
Teachers' Fund	404	1,652	464	1,592
Track Fund	332	4,715	2,160	2,887
Y-Club Fund	-	3,954	3,954	-
Yearbook Fund	360	19,491	19,734	117
Weight Room Fund	280	-	219	61
TOTALS	<u>\$33,270</u>	<u>\$205,654</u>	<u>\$207,777</u>	<u>\$31,147</u>

(1) Included in revenues and expenditures are interfund transfers in the amount of \$14,499.

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
DUE TO STUDENT GROUPS AND OTHERS
AGENCY FUNDS
OTHER SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Ballard County Middle</u>	<u>Ballard County Elementary</u>	<u>Career and Technical Center</u>	<u>Preschool</u>	<u>Totals</u>
Due to student groups and others, July 1, 2004	<u>\$26,116</u>	<u>\$58,649</u>	<u>\$28,178</u>	<u>\$13,622</u>	<u>\$126,565</u>
Revenues:					
Student activities	<u>49,175</u>	<u>89,452</u>	<u>24,708</u>	<u>23,770</u>	<u>187,105</u>
Expenditures:					
Student activities	<u>44,983</u>	<u>111,070</u>	<u>26,943</u>	<u>34,255</u>	<u>217,251</u>
DUE TO STUDENT GROUPS AND OTHERS, JUNE 30, 2005	<u><u>\$30,308</u></u>	<u><u>\$37,031</u></u>	<u><u>\$25,943</u></u>	<u><u>\$ 3,137</u></u>	<u><u>\$ 96,419</u></u>

See auditor's report on pages 1-2.

BALLARD COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
DUE TO OTHERS
OTHER AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BMHS Foundation</u>	<u>Fiscal Agent Fund</u>	<u>Special Activities</u>	<u>Totals</u>
Due to student groups and others, July 1, 2004	<u>\$ 686</u>	<u>\$ -</u>	<u>\$ 7,342</u>	<u>\$ 8,028</u>
Revenues:				
Student activities	<u>4</u>	<u>630,128</u>	<u>6,210</u>	<u>636,342</u>
Expenditures:				
Student activities	<u>-</u>	<u>630,128</u>	<u>3,435</u>	<u>633,563</u>
DUE TO OTHERS, JUNE 30, 2005	<u><u>\$ 690</u></u>	<u><u>\$ -</u></u>	<u><u>\$10,117</u></u>	<u><u>\$10,807</u></u>

See auditor's report on pages 1-2.

BALLARD COUNTY BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT DIFFERENCES
FOR THE YEAR ENDED JUNE 30, 2005

In its Annual Financial Report (AFR) required by the Kentucky Department of Education, the Board has recorded transfers by the Capital Project Funds to debt service accounts as debt service payments. Debt Service Funds, which are not presented in the Board's AFR, are included in the financial statements. For reporting purposes, these payments have been reclassified as operating transfers and corresponding operating transfers have been recorded in the Debt Service Funds. The following is a reconciliation of the expenditures reported in the Board's AFR with that shown in the financial statements and the supplemental schedules.

	FSPK Fund
Debt service reported to the Department of Education	<u>\$619,029</u>
Reclassification to operating transfer out	<u>(619,029)</u>
Amount per supplemental schedule	<u>\$ -</u>
Operating transfer out reported to the Department of Education	\$168,406
Reclassification from debt service	<u>619,029</u>
Amount per supplemental schedule	<u>\$787,435</u>

See auditor's report on pages 1-2.

BALLARD COUNTY BOARD OF EDUCATION
SCHEDULE OF ACCOUNTS RECEIVABLE
JUNE 30, 2005

General Fund:

Accounts receivable reported in the Board's annual financial report to the State Department of Education, Division of Finance	\$ 50,021
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Additional accounts receivable recorded subsequent to the
annual financial report:

Commonwealth of Kentucky - omitted tangible property tax	1,181
Commonwealth of Kentucky - motor vehicle tax	9,725
Various utility companies - utility tax	<u>72,854</u>

TOTAL ACCOUNTS RECEIVABLE	<u><u>\$133,781</u></u>
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See auditor's report on pages 1-2.

BALLARD COUNTY BOARD OF EDUCATION
SCHEDULE OF ACCOUNTS PAYABLE
JUNE 30, 2005

General Fund:

Accounts payable reported in Board's annual financial report to the State Department of Education, Division of Finance	\$24,400
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Additional accounts payable recorded subsequent to the
annual financial report:

IBM Corporation	637
Platinum Plus for Business - travel and supplies	597
Galt House East - travel	986
Chester Mechanical - repairs	2,902
Cole Electric - supplies	248
Dr. Charlene Robinson - medical services	<u>1,000</u>

TOTAL ACCOUNTS PAYABLE	<u><u>\$30,770</u></u>
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See auditor's report on pages 1-2.

BALLARD COUNTY BOARD OF EDUCATION
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2005

	<u>Expires</u>	<u>Building</u>	<u>Contents</u>
Fire and Extended Coverage - 90%			
Co-Insurance:			
Ballard County Elementary School	June 30, 2005	\$ 8,000,000	\$1,500,000
LaCenter School	June 30, 2005	1,762,134	257,296
LaCenter Activity Building	June 30, 2005	693,600	104,040
LaCenter Shop	June 30, 2005	20,000	7,100
Ballard Memorial High School	June 30, 2005	5,077,655	744,360
Ballard County Middle School	June 30, 2005	2,139,318	330,000
Ballard Memorial Gymnasium	June 30, 2005	2,531,500	379,725
Ballard Memorial Shop	June 30, 2005	498,150	74,723
Ballard Memorial Caretaker's House	June 30, 2005	28,350	50,000
Ballard County Board of Education - Bus Garage	June 30, 2005	514,276	75,079
Multi-purpose Building/Gym	June 30, 2005	1,530,000	229,500
Vocational School	June 30, 2005	3,304,466	482,220
Central Office Building	June 30, 2005	375,000	94,000
Football Field House	June 30, 2005	445,300	66,795
Central Storage and Vocational Storage	June 30, 2005	136,605	21,000
Ballard Memorial Boiler Building	June 30, 2005	57,881	38,875
Property in the open	June 30, 2005	-	75,000
TOTALS		<u><u>\$27,114,235</u></u>	<u><u>\$4,529,713</u></u>

Collision, Comprehensive, and Property

Damage:

School buses and other vehicles:	June 30, 2005	
Liability		\$2,000,000
Uninsured motorist		500,000
Underinsured motorist		500,000

Educator's Legal Liability (Errors and Omissions):

Ballard County Board of Education, Superintendent, Board Members and employees	June 30, 2005	1,000,000
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General Liability:

Ballard County Board of Education, Superintendent and employees	June 30, 2005	1,000,000
Umbrella Coverage	June 30, 2005	2,000,000
Workmen's compensation insurance	June 30, 2005	Statutory
Blanket fidelity bond - all employees	January 1, 2006	25,000

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2005

General Liability:	<u>Expires</u>	<u>Amount of Coverage</u>
Treasurer's bond	June 30, 2005	\$ 200,000
Weight wagon - vocational school	February 27, 2006	5,000 500 deductible
Depository Bonds:		
Regions Bank:		
U.S. Government Securities	June 30, 2005	5,500,000

See auditor's report on pages 1-2.

MEMBERS OF THE BALLARD COUNTY BOARD OF EDUCATION
AS OF JUNE 30, 2005

<u>Name</u>	<u>Address</u>	<u>Date Elected</u>	<u>Term Expires</u>
Leon Story, Chair	855 Curtis Road Wickliffe, Kentucky	November, 2004	December, 2008
Jackie Flowers, Vice Chair	774 Smokey Road LaCenter, Kentucky	November, 2004	December, 2008
Kelly Wildharber	4088 Tabor Road Barlow, Kentucky	November, 2004	December, 2008
Kim Terrell	103 Malibu Drive LaCenter, Kentucky	November, 2002	December, 2006
Tommy White	773 Robey Road Kevil, Kentucky	November, 2002	December, 2006

Other Officials:

Ed Adami, Superintendent

Kim Bailey, Treasurer of the Board

See auditor's report on pages 1-2.

BALLARD COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Education:			
Passed-through Kentucky Department of Education:			
Title I, Improving America's Schools Act of 1994 (ESEA)	84.010	35104 01 35105 01	\$ 299,875
Individuals with Disabilities Education Act - Part B	84.027	58105 02	302,821
Individuals with Disabilities Education Act - Part B, Preschool	84.173	58704 02 58705 02 59003 02	65,847
Title IV - Safe and Drug-Free Schools	84.186	59004 02 71004 02	854
Improving Teacher Quality	84.367	71005 02	73,842
Enhancing Education Through Technology	84.318	73605 02 53304 02	7,430
Title V- Innovative Education Program Strategies	84.298	53305 02	7,608
Comprehensive School Reform Demonstration	84.332B	35503 02	10,142
Title I, Improving America's Schools Act of 1994, (ESEA) for Migrating Children	84.011	35204 02 35205 02	51,076
Learn and Serve America	94.004	74303 02	1,756
Vocational Education - Basic Grants to States	84.048	46205 32	14,914
Vocational Education - Basic Grants to States	84.048	46205 32 74404 03	704
Twenty-First Century Community Learning Centers	84.287	74405 03	133,649
Passed-through Kentucky Community and Technical College System:			
Tech-Prep Education	84.243	N/A	19,000
Passed-through West Kentucky Educational Cooperative:			
Goals 2000 - Targeting Standards	84.276A	N/A	7,557
Total U.S. Department of Education			<u>997,075</u>
U.S. Department of Agriculture:			
Passed-through Kentucky Department of Education:			
National School Lunch Program		57504 02	
	10.555	57505 02	253,347
National School Breakfast Program		57604 05	
	10.553	57605 05	89,230
Passed-through Kentucky Department of Agriculture:			
Food Distribution (1)	10.550	N/A	48,692
Total U.S. Department of Agriculture			<u>391,269</u>
TOTAL FEDERAL AWARDS			<u><u>\$1,388,344</u></u>

(Continued)

BALLARD COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

- (1) Expense recognized is the total dollar value of commodities used during the year. Amounts are based on dollar values reported by the State Department of Agriculture. This amount is included in the combined statement of revenues, expenditures, and changes in net assets.

Note 1 – Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Ballard County Board of Education and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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**Report On Internal Control Over Financial Reporting
Based On Compliance And Other Matters Based On An
Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Kentucky State Committee for
School District Audits
Members of the Board of Education
Ballard County Board of Education
Barlow, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ballard County Board of Education as of and for the year ended June 30, 2005, which collectively comprise the Ballard County Board of Education's basic financial statements and have issued our report thereon dated September 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ballard County Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Board in a separate letter dated September 12, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ballard County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. The results of our tests disclosed immaterial instances of noncompliance of specific state statutes or regulations identified in audit requirements prescribed by the State Committee for School District Audits in *Appendix II of the Independent Auditor's Contract – State Audit Requirements* as reported to management of the Board in a separate letter dated September 12, 2005.

This report is intended solely for the information and use of management, the Ballard County Board of Education, federal award agencies, pass-through entities, and the Kentucky Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Williams, William & Lenty, LLP

September 12, 2005

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**Report On Compliance With Requirements
Applicable To Each Major Program And Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Kentucky State Committee for
School District Audits
Members of the Board of Education
Ballard County Board of Education
Barlow, Kentucky

Compliance

We have audited the compliance of Ballard County Board of Education with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Ballard County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ballard County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ballard County Board of Education's compliance with those requirements.

In our opinion, Ballard County Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Ballard County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Ballard County Board of Education, federal awarding agencies, pass-through entities, and the Kentucky Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Williams, William & Lenty, LLP

September 12, 2005

BALLARD COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

A. Summary of Audit Results:

1. The auditor's report expresses an unqualified opinion on the financial statements of the Ballard County Board of Education.
2. No reportable conditions were disclosed during the audit of the financial statements of the Ballard County Board of Education.
3. No instances of noncompliance material to the financial statements of the Ballard County Board of Education were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal awards programs.
5. The auditor's report on compliance for the major federal awards programs for the Ballard County Board of Education expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs to be reported.
7. The programs tested as major programs included:

<u>Name</u>	<u>CFDA #</u>
National School Lunch Program/ School Breakfast Program	10.555/ 10.553 (Cluster)
Title 1, Improving America's Schools	84.010
Individuals with Disabilities Education Act - Part B/ Individuals with Disabilities Education Act - Part B, Preschool	84.027/ 84.173 (Cluster)

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Ballard County Board of Education was not determined to be a low-risk auditee.

B. Findings – Financial Statements Audit:

None

C. Findings and Questioned Costs - Major Federal Programs:

None

BALLARD COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2005

There are no prior year findings to report.

BALLARD COUNTY BOARD OF EDUCATION

MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2005

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Ballard County Board of Education
Barlow, Kentucky

We have audited the financial statements of the Ballard County Board of Education for the year ended June 30, 2005, and have issued our report thereon dated September 12, 2005. In planning and performing our audit of the financial statements of Ballard County Board of Education, we considered the Board's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. We also noted several immaterial instances of noncompliance with applicable laws and regulations, which we are required to report to you. These comments and recommendations, most of which have been discussed with the appropriate members of management, are intended to help the Board comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized as follows:

BANK RECONCILIATIONS

The bank reconciliation for the total cash at June 30, 2005 did not agree with the cash balances per the Balance Sheets on the AFR. This was due to the reconciliation being completed before the board meeting and before all entries to cash were made. We recommend preparing an updated reconciliation for June 30 after all postings to cash have been made.

FIXED ASSETS

A total of thirty-two computers were left off of the fixed asset additions and were not depreciated for the year. This error was corrected and should not be a problem in the future due to items being tagged and entered into MUNIS as they are received.

ACTIVITY FUNDS

The following findings on the activity funds are listed by school in order to ensure the personnel in charge obtain the appropriate recommendations.

Ballard Memorial High School

1. As in the prior year, all money collected from athletic events should be turned in promptly to the Central Fund Treasurer; one or two business days are reasonable. There were eight days between the date of the event and the date the money was deposited for one of the ticket reports selected for testing.

2. Ticket reports should be checked for accuracy in calculating tickets sold and money deposited. The number of tickets sold was miscalculated on one of the reports chosen for our audit testing.
3. Game ticket use should be verified following each game. During our audit testing, 21 blue tickets were unaccounted for on ticket reports. Per the ticket reports for the year, the final blue ticket sold was number 637788. When we examined the actual ticket roll remaining, the first ticket available was number 637809.
4. Secondary receipts should be turned in promptly. One secondary receipt selected for testing was held for 14 days before it was turned in to the Central Fund Treasurer.

All other prior year management letter comments appear to have been properly addressed.

Ballard County Middle School

1. As in the prior year, transfers should be subtracted from the total receipts and total disbursements to come to actual receipts and disbursements for the year.
2. One primary receipt selected for testing could not be located. The secondary receipts related to this primary receipt could not be located. All primary receipts should be kept intact and the secondary receipts should be kept on file.

All other prior year management letter comments appear to have been properly addressed.

Ballard County Elementary School

All prior year management letter comments appear to have been properly addressed.

* * * * *

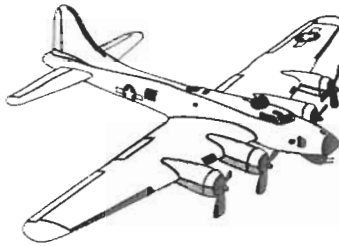
This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Williams, William & Lenty, LLP

September 12, 2005

MANAGEMENT LETTER RESPONSES

YEAR ENDED JUNE 30, 2005



Ballard County Schools

3465 PADUCAH ROAD • BARLOW, KENTUCKY 42024

PHONE: (270) 665-8400 • FAX: (270) 665-9844

ED ADAMI, SUPERINTENDENT

December 21, 2005

Division of Finance
Department of Education
Capital Plaza Tower, 500 Mero Street
Frankfort, KY 40601

To Whom It May Concern:

The following items will be immediately incorporated into our internal control structure in order to improve our financial operation.

We will make every effort to fully comply with all the suggestions that were addressed in our management letter from our auditors.

Sincerely,

Edward Adami, Superintendent
Ballard County Schools

BANK RECONCILIATIONS

An updated reconciliation will be prepared for June 30 after all postings to cash have been made.

FIXED ASSETS

All fixed assets will be tagged and entered into MUNIS as they are received.

ACTIVITY FUNDS

Ballard Memorial High School

The athletic director has been instructed to turn in all money collected from athletics events promptly to the central fund treasurer.

Ticket reports will be checked for accuracy in calculating tickets sold and money deposited.

Game tickets will be verified following each game.

Teachers have been instructed to turn in secondary receipts promptly.

Ballard County Middle School

Transfers will be subtracted from the total receipts and total disbursements to come to actual receipts and disbursements for the year.

All primary receipts will be kept intact and the secondary receipts will be kept on file.